

Message Text

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ACTION TRSY-04

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EO 11652: NA
TAGS: IMF, IBRD
SUBJ: WORLD BANK/IMF ANNUAL MEETINGS

REF: A) BELGRADE 5579; B) STATE 184669

1. ASST FINANCE MINISTER STOJILJKOVIC BRIEFED EMBOFF
ON GOY POSITION CONCERNING UPCOMING IMF/IBRD MEETINGS.
GOY FEELS THAT THE MEETINGS WILL BE ROUTINE WITH NO
MAJOR ISSUE ON THE AGENDA FOR RESOLUTION. IT DOES NOT
INTEND TO INTRODUCE ANY PROPOSALS DURING THE SESSIONS.

2. STOJILJKOVIC WENT ON TH DESCRIBE YUGOSLAVIA'S
OUTLOOK ON THE IMF/IBRD AND RELATED ISSUES. THE
SUBSTANCE OF HIS REMARKS WAS AS FOLLOWS:

3. THE GENERAL YUGOSLAV VIEW IS THAT THE WHOLE
PROCESS OF INVOLVEMENT OF THE INTERNATIONAL MONETARY
SYSTEM IN DEALING WITH THIRD WORLD PROBLEMS IS GOING VERY
VERY SLOWLY AND IS ALSO DEPARTING
FROM THE ORIGINAL BLUE PRINT. THIS WILL NOT BENEFIT
EITHER THE DEVELOPING OR DEVELOPED COUNTRIES
IN THE LONG RUN. THERE WERE A NUMBER OF THINGS
DISCUSSED IN PARIS (CIEC) BUT THEY WERE LEFT OPEN FOR
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FUTURE DISCUSSION UNDER UN AUSPICES (WHICH INCLUDES
IMF AND WORLD BAKN). YUGOSLAVIA HAS TAKEN A LOOK AT
THE MATTERS WHICH ARE TO BE DISCUSSED AT THE IBRD/IMF
MEETINGS, BUT GOY DOES NOT THINK THAT THESE ITEMS ARE
VERY IMPORTANT OR FAR REACHING, EXCEPT POSSIBLY THE
WITTEVEEN, FACILITY AND THERE ARE NO PROBABLE SOLUTIONS

FOR FUNDAMENTAL PROBLEMS. EVEN THE WITTEVEEN FACILITY IS A "POCKET TO MOUTH" SOLUTION AND A PALLIATIVE SOLUTION WHICH DOES NOT GO TO THE HEART OF THE PROBLEM. THIS DOES NOT MEAN THE GOY IS NOT APPRECIATIVE OF MR. WITTEVEEN'S EFFORTS. THE EFFORT IS A GOOD ONE BUT IN THE WRONG DIRECTION. YUGOSLAVIA EXPECTS THE IMF TO BEGIN TO PLAY A MUCH MORE IMPORTANT ROLE THAN IT HAS BEEN PLAYING UP TO NOW IN INTERNATIONAL MONETARY AFFAIRS. THEREFORE, IMF NEEDS SOURCES FOR FINANCING IN HELPING WITH THE DISEQUILIBRIUM PROBLEMS OF SOME OF ITS MEMBERS. THE LDC'S WISH TO INCREASE IMF QUOTAS (75 PERCENT OR PERHAPS MORE). THE DEVELOPED COUNTRIES, UNFORTUNATELY ONLY WANT SMALL INCREASES IN QUOTAS. THEREFORE THE IMF IS FORCED TO SHOP AROUND FOR MONEY IN THE MARKET. CAN THE FUND AS AN INSTITUTION BUILD UP ITS OWN STATUS UNDER SUCH CIRCUMSTANCES?

4. IBRD DOES GOOD WORK. THE US NOW UNDERSTANDS THE IBRD BETTER THAN IT DID 18 MONTHS OR EVEN 12 MONTHS AGO. THE IBRD SHOULD NOT ONLY EXPAND BUT SHOULD GO BACK TO ITS OLDER AND BETTER TERMS AND CONDITIONS AS A DEVELOPMENT BANK. MORE DIFFICULT IBRD TERMS WERE ADOPTED BY THE BANK UNDER US AND GERMAN PRESSURE. IT WOULD BE A VERY USEFUL AND QUICKLY UNDERSTOOD SIGNAL IF THE US COULD NOW APPLY SOME OF ITS PRESSURE TO GET BACK TO THE FORMER, EASIER TERMS.

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5. YUGOSLAVIA SUPPORTS A MORATORIM ON DEBT IF NECESSARY. SOME MECHANISM SHOULD BE USED TO KEEP UP PAYMENTS OF DEBTOR COUNTRIES IN ORDER TO KEEP THE INTERNATIONAL BANKING SYSTEM OPERATING MORE OF LESS SMOOTHLY. YUGOSLAVIA SUPPORTS THE CANADIAN PLAN FOR LDC DEBT MANAGEMENT.
EAGLEBURGER

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